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Message Text

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TRSE-00 LAB-04 SIL-01 OMB-01 /063 W
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R 121503Z SEP 77
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TO SECSTATE WASHDC 1760
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E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: ASSISTANT SECRETARY OF AGRICULTURE HATHAWAY MEETS EC COMMISSION DEPUTY DIRECTOR GENERAL FOR CROPS AND MARKETS DAVID WILLIAMSON, BRUSSELS, SEPTEMBER 9, 1977

REF: (A) BRUSSELS 11502, (B) BRUSSELS 10617

1. SUMMARY: U.S. ASSISTANT SECRETARY OF AGRICULTURE HATHAWAY DISCUSSED PRODUCTION CONTROLS, PRICES AND A STOCKHOLDING POLICY WITH EC COMMISSION DEPUTY DIRECTOR GENERAL FOR CROPS AND MARKETS DAVID WILLIAMSON. THE EC'S PARTICIPATION IN INTERNATIONAL COMMODITY AGREEMENTS WOULD OBLIGE IT TO UNDERTAKE AN INTERNAL STOCKHOLDING POLICY RATHER THAN RELY SOLELY ON IMPORT LEVIES AND EXPORT SUBSIDIES TO MANAGE STOCKS, WILLIAMSON SAID.
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HE ALSO BELIEVES THAT THIS IS EQUIVALENT TO A COMMITMENT ON A PRODUCTION CONTROL POLICY, AND HE SEES OPINION IN THE EC SLOWLY MOVING IN THAT DIRECTION. WILLIAMSON SAID THE EC HAS PROBABLY REACHED A PRACTICAL CEILING ON GRAIN YIELDS. END SUMMARY.

2. REFLECTING THE EC COMMISSION'S POLICY OF COMPART-

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MENTALIZING ITS INTERNAL DISCUSSIONS ON TRADE POLICY AND ON CROPS AND MARKETS, THE COMMISSION'S DEPUTY DIRECTOR GENERAL FOR CROPS AND MARKETS WAS PURPOSELY EXCLUDED FROM ASSISTANT SECRETARY HATHAWAY'S SEPTEMBER 8 MEETING WITH DIRECTOR GENERAL FOR AGRICULTURE RABOT AND HIS TRADE POLICY OFFICIALS (REF. A). HATHAWAY THEREFORE MET SEPARATELY ON SEPTEMBER 9 WITH THE COMMISSION'S DEPUTY DIRECTOR GENERAL FOR CROPS AND MARKETS, DAVID WILLIAMSON, WHO IN JULY REPLACED MICHAEL FRANKLIN (REF. B). U.S. AGRICULTURAL ATTACHE MONTEL WAS ALSO PRESENT.

3. HATHAWAY OPENED THE DISCUSSION BY REFERRING TO THE UNAVOIDABLE, DIRECT EFFECT OF INTERNAL MARKET AND PRICE ACTIONS ON EXTERNAL TRADE INTERESTS. HE THEN ASKED IF THE COMMUNITY HAD OR IS CONTEMPLATING A STOCKHOLDING POLICY OR WOULD IT CONTINUE TO RELY ON IMPORT LEVIES AND EXPORT SUBSIDIES? WILLIAMSON REPLIED THAT THE COMMUNITY'S PRESENT AGRICULTURAL POLICY IS UNFORTUNATELY CONCERNED ONLY WITH INTERNAL PRICE STABILITY. BUT HE QUICKLY ADDED THAT THE COMMISSION NEVERTHELESS IS CONCERNED WITH THE EXTERNAL IMPACT OF THIS POLICY AND THEREFORE WITH SOME SYSTEM FOR HANDLING STOCKS. HATHAWAY SAID THAT IF THE EC BECOMES A PARTY TO AN INTERNATIONAL AGREEMENT ON GRAINS, IN HIS VIEW IT WOULD HAVE TO UNDERTAKE A POLICY FOR THE PHYSICAL DISPOSITION
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OF STOCKS. IN THIS CASE, WILLIAMSON SAID, SUCH AN OBLIGATION WOULD FORCE A CHANGE IN THE EC'S DOMESTIC POLICY AND IT WOULD HAVE TO ASSUME SUCH AN OBLIGATION. THIS IS NOT RADICALLY NEW BECAUSE THE EC CURRENTLY IS DISCUSSING SUCH A POLICY IN THE CONTEXT OF THE SUGAR NEGOTIATIONS. SINCE THE COMMUNITY HAS BEEN IN THE FOREFRONT IN PUSHING VIGOROUSLY FOR SUCH COMMODITY AGREEMENTS, HATHAWAY SAID HE DIDN'T SEE HOW THERE COULD BE ANY QUESTION ABOUT A STOCKHOLDING POLICY.

4. WILLIAMSON REFERRED TO HIS REPUTATION AS A MAVERICK AND ASKED THAT THE FOLLOWING NOT BE REPEATED. HE SAID THE REALITY IS THAT IN SUCH CASES ONE IS REALLY UNDER-TAKING A COMMITMENT ON A PRODUCTION CONTROL POLICY. IN HIS VIEW, THIS KIND OF AN INTERNATIONAL OBLIGATION WAS TANTAMOUNT TO PUTTING LEVERAGE ON THE EC'S INTERNAL POLITICAL MACHINE. HATHAWAY THEN ASKED WHERE THE ENFORCEMENT PROVISIONS WOULD BE IN INTERNATIONAL GRAINS AGREEMENTS. GATT HAS PROVISIONS FOR HEARINGS, SANCTIONS AND ENFORCEMENT, BUT HE DOESN'T SEE THAT YET IN THE KIND OF AGREEMENT THAT WE HAVE BEEN DISCUSSING TO DATE. HE SAID WHEN GRAIN SUPPLIES ARE AMPLE, THERE

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IS NO WAY IN THE EC SYSTEM TO INCREASE CONSUMPTION
SIMPLY VIA PRICE MECHANISMS, SO HOW DO YOU GET AROUND
THIS PROBLEM? WILLIAMSON REPLIED THAT THE EC COULD
RESOLVE IT IN THE BEEF SECTOR BY LETTING MARKET PRICES
FALL MUCH LOWER THAN AT PRESENT, IN ADDITION TO
CONTINUING TO PURSUE ITS INTERVENTION POLICY. HE ASKED
THAT THE FOLLOWING NOT BE QUOTED BECAUSE IT IS ONE OF
THE PROVISIONS IN THE REVISED BEEF POLICY SOON TO BE
PROPOSED BY THE COMMISSION TO THE COUNCIL, BUT ONE WAY
TO DO THIS IS TO PAY FARMERS A PREMIUM IN RETURN FOR THE
LOWER PRICES BUT TO SUBTRACT THE PREMIUM FROM THE
INTERVENTION PRICE. (NOTE: THIS CONFIRMS SOME REPORTS

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TO THE EFFECT THAT THE COMMISSION IS CONSIDERING DEMAND
ADJUSTMENTS IN THE LIVESTOCK SECTOR AS A MEANS OF GETTING
AT SUPPLY CONTROL OF GRAINS.)

5. THERE IS NO DOUBT, WILLIAMSON SAID, THAT THE RIGIDITY
OF THE EC INTERVENTION SYSTEM IS A SERIOUS ERROR. REAL
PRICES PROBABLY COULD BE HELD DOWN IN TIME OF NEED, BUT
THE PROBLEM IS THE GERMANS WHO WON'T LEAVE THE NEGOTIATING
TABLE WITH THE SAME GRAIN PRICE THAT PREVAILED AT
THE BEGINNING OF THE PRICE DISCUSSIONS. IN ANY EVENT,
HE CONTINUED, THERE IS A DISCERNABLE TREND TOWARDS
PRODUCTION CONTROLS IN THE COMMUNITY. HE HASTENED TO
ADD THAT THERE IS NOTHING TANGIBLE TO DEMONSTRATE THIS,
BUT THERE IS GROWING OPINION IN THAT DIRECTION.

6. HATHAWAY SAID WHEN HE WAS IN PARIS EARLIER THIS
WEEK, HE ASKED THE FRENCH MINISTER OF AGRICULTURE IF

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THE EC WOULD CONTINUE TO BE A SIGNIFICANT NET IMPORTER OF GRAINS. THE MINISTER REPLIED THAT WERE HE ASKED THAT QUESTION 5 YEARS AGO HE WOULD HAVE SAID NO. NOW, HE WOULD HAVE TO SAY YES. HATHAWAY ASKED IF WILLIAMSON AGREED WITH THIS. THE ANSWER WAS YES. HATHAWAY THEN SAID THIS IMPLIES THAT THE EC HAS REACHED OR NEARLY
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REACHED A PRACTICAL CEILING ON GRAIN YIELDS AND THAT THERE REALLY ISN'T MUCH MORE EFFICIENT GROWTH LEFT. IS THIS CORRECT? WILLIAMSON REPLIED YES.

7. DEPARTMENT MAY WISH TO MAKE DISTRIBUTION TO ALL EC CAPITALS AND USOECD PARIS. HINTON

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